



Atlantic Canada Opportunities Agency

2007-2008 Estimates

Performance Report



Minister's Message

Since I was first appointed to Cabinet in 2006, I have travelled across the Atlantic region to communities large and small and have seen first-hand many incredible success stories. I have met with hundreds of local entrepreneurs and community leaders who are helping to make the region a great place in which to live and work. These men and women believe – as does our government – that Atlantic Canadian businesses and communities have what it takes to compete in today's global economy.

The Atlantic Canada Opportunities Agency (ACOA) is considered a leader in encouraging innovation and helping to further the growth of key industries in the region such as aquaculture, life sciences and aerospace and defence. It also remains a central player, with Transport Canada and Atlantic Canada's provincial governments, in advancing the trade and business growth potential of the Atlantic Gateway.

This report shows how the Agency is making a real difference in the lives of Atlantic Canadians and the communities where they live and work. More research and development is being done, particularly by the private sector; ACOA's clients are exporting to more markets; more individuals are gaining the necessary skills to improve the region's productivity and competitiveness; and more communities are creating a stronger economic foundation.

I share with the Agency's staff pride in the role that ACOA is playing in Atlantic Canada.



The Honourable Peter G. MacKay
Minister of National Defence and
Minister for the Atlantic Gateway

Minister of State's Message

As Minister of State for the Atlantic Canada Opportunities Agency, I am pleased to share with you the Agency's 2007-2008 Departmental Performance Report. As you will see in this report, ACOA's policies and programs are helping to strengthen Atlantic Canada's economy and foster new opportunities for long-term growth and sustainability.

This report shows how the Agency is working with small and medium-sized enterprises to sharpen their entrepreneurial skills, adopt new technologies, access export markets, and initiate and commercialize homegrown research and development.

Results also demonstrate how ACOA is working effectively with Atlantic Canadian communities to help them strengthen their economic base by developing and diversifying local economies, attracting new business, recruiting and retaining skilled workers, and ensuring a good quality of life for Atlantic Canadians. In championing the assets of Atlantic Canada, ACOA helps mobilize partners to ensure that our communities have the right infrastructure and the capacity to compete in a global economy.

Finally, this report highlights how ACOA's continuous work on regional policy development and its vigorous advocacy are ensuring that Atlantic Canada's interests are reflected in national policies and programs.

I am confident that the Agency's 2007-2008 Departmental Performance Report will reinforce for you that ACOA is a champion for Atlantic Canada – helping the region tackle its economic challenges and maximize its opportunities. Together, with Atlantic Canadians, ACOA is building a stronger regional economy and, ultimately, a stronger country.



The Honourable Keith Ashfield
Minister of State (Atlantic Canada Opportunities
Agency)

Table of Contents

Section I – Agency Overview	1
1.1 Summary Information	1
1.1.1 Raison d'être	1
1.1.2 Responsibilities	1
1.1.3 Strategic Outcomes	2
1.1.4 Program Activity Architecture	2
1.2 Summary of Performance	3
1.2.1 Summary of Performance and Achievements in 2007-2008	3
1.2.2 Risk Analysis	6
1.2.3 Expenditure Profile	9
1.2.4 Human Resources	11
 Section II – Reporting on Results: Analysis of Program Activities by Strategic Outcome	 13
2.1 Strategic Outcome 1 – Competitive and sustainable Atlantic enterprises, with emphasis on those of small and medium size	13
2.1.1 Program Activity: Fostering the development of institutions and enterprises, with emphasis on those of small and medium size	15
2.2 Strategic Outcome 2 – Dynamic and sustainable communities for Atlantic Canada	20
2.2.1 Program Activity: Fostering the economic development of Atlantic communities	21
2.2.2 Program Activity: Special Adjustment Measures	25
2.2.3 Program Activity: Infrastructure Programming	26
2.3 Strategic Outcome 3 – Policies and programs that strengthen the Atlantic economy	28
2.3.1 Program Activity: Policy	29
2.3.2 Program Activity: Advocacy	32
2.3.3 Program Activity: Coordination	35
 Section III – Supplementary Information	 39
3.1 Financial Highlights	39
3.2 Tables	41
3.3 Other Items of Interest	41

Section I – Agency Overview

1.1 Summary Information

1.1.1 Raison d'être

The Atlantic Canada Opportunities Agency (ACOA) works to create opportunities for economic growth in Atlantic Canada by helping businesses become more competitive, innovative and productive, by working with communities to develop and diversify local economies, and by championing the strengths of Atlantic Canada in partnership with Atlantic Canadians. It plays an important role in developing and supporting policies and program that strengthen Atlantic Canada's economy. This work addresses the Agency's mandate "... to increase opportunity for economic development in Atlantic Canada and, more particularly, to enhance the growth of earned incomes and employment opportunities in that region." (Part I of the *Government Organization Act, Atlantic Canada 1987*, R.S., c G-5-7, also known as the *Atlantic Canada Opportunities Agency Act*)

1.1.2 Responsibilities

Established in 1987, ACOA is the federal government department responsible for the government's economic development efforts in the provinces of New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador.

ACOA's head office in Moncton, New Brunswick, is home to branches responsible for Policy and Programs, Finance and Corporate Services, Human Resources, Communications, and Legal Services. The Agency has 36 regional and field offices in cities and towns across the four Atlantic Provinces. These are led by regional vice-presidents located in each provincial capital, who are responsible for the delivery of ACOA programs. Through its Ottawa office, ACOA ensures that Atlantic Canada's interests are reflected in both the policies and programs developed by other departments and agencies of the federal government.

Although the Agency's policies and program tools have changed since its inception, the overall goal of ACOA has always been to help the Atlantic region realize its full potential in terms of productivity, competitiveness and economic growth. Modifications have been made to its financial support programs for SMEs¹ but, essentially, its vision for Atlantic Canada (i.e. increasing opportunity for economic development in Atlantic Canada) is still at the heart of the Agency's operations.

ACOA capitalizes on regional strengths by using a balanced approach to tackle economic development challenges facing Atlantic Canada. This is achieved by identifying and addressing structural weaknesses in the economy, helping communities and businesses to overcome barriers, and finding new opportunities for growth. It is also within this context that ACOA is committed

¹ ACOA has adapted its business programs to focus less on support for the acquisition of capital assets and more on the assets associated with productivity – innovation, marketing, international trade and human resource development. This change in policy emphasis led ultimately to the development of the Atlantic Investment Partnership (AIP), a major five-year initiative launched in 2000 and renewed in 2005. The AIP has made major investments in innovation, community economic development, trade and investment, and entrepreneurship and business skills development. The Agency ensures that a wide variety of business development tools and resources² are available to Atlantic Canadian entrepreneurs throughout all stages of the business life cycle – from the time they are thinking about setting up a new business, to the time they are planning for growth and expansion.

to helping the region make the transition to a more innovative, productive and competitive economy).

1.1.3 Strategic Outcomes

In order to effectively pursue its mandate, the Agency aims to achieve the following strategic outcomes.

1. Competitive and sustainable Atlantic enterprises, with emphasis on those of small and medium size (Enterprise Development).
2. Dynamic and sustainable communities for Atlantic Canada (Community Development).
3. Policies and programs that strengthen the Atlantic economy (Policy, Advocacy and Coordination).

1.1.4 Program Activity Architecture

The chart below illustrates ACOA's complete framework of program activities and program sub-activities, which contribute to the Agency's three Strategic Outcomes. It reflects the results of policy research and analysis; periodic review of program effectiveness; ongoing dialogue with other stakeholders in the region; and the priorities and directions of the Government of Canada.



to helping the region make the transition to a more innovative, productive and competitive economy.

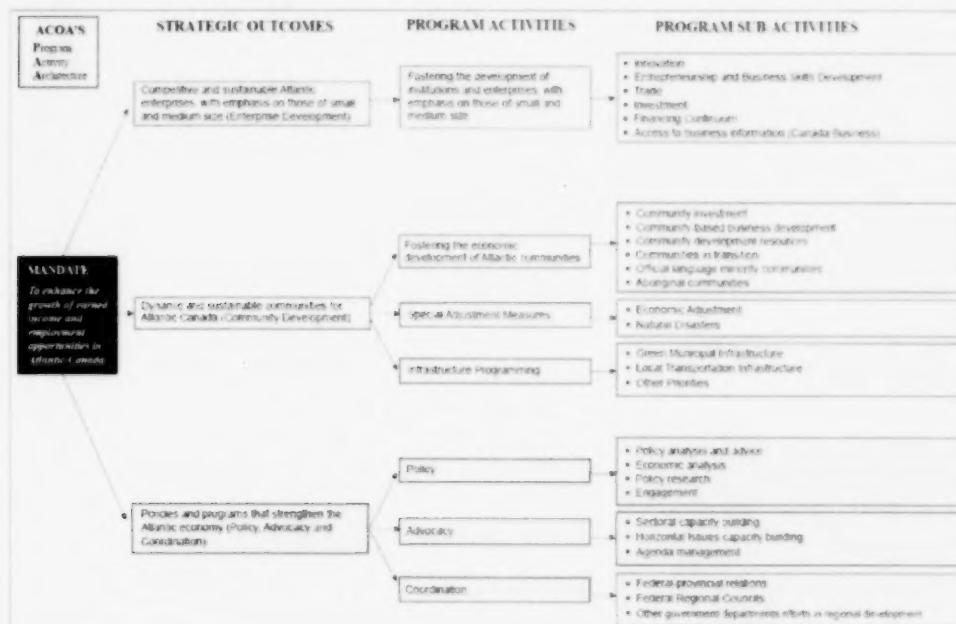
1.1.3 Strategic Outcomes

In order to effectively pursue its mandate, the Agency aims to achieve the following strategic outcomes.

1. Competitive and sustainable Atlantic enterprises, with emphasis on those of small and medium size (Enterprise Development).
2. Dynamic and sustainable communities for Atlantic Canada (Community Development).
3. Policies and programs that strengthen the Atlantic economy (Policy, Advocacy and Coordination).


1.1.4 Program Activity Architecture

The chart below illustrates ACOA's complete framework of program activities and program sub-activities, which contribute to the Agency's three Strategic Outcomes. It reflects the results of policy research and analysis; periodic review of program effectiveness; ongoing dialogue with other stakeholders in the region; and the priorities and directions of the Government of Canada.



1.2 Summary of Performance

1.2.1 Summary of Performance and Achievements in 2007-2008

Strategic Outcome 1: Competitive and sustainable Atlantic enterprises, with emphasis on those of small and medium size					
<u>Performance Indicators</u>	<u>Targets</u>	<u>Performance Summary</u>			
Employment growth ratio of ACOA clients versus comparable firms ²	Ratio of 1 to 2	On track (1.2)			
Increase in GDP per 1\$ of ACOA expenditure	\$4 to \$5 in GDP gains for every \$1 of ACOA expenditure	Exceeded – GDP increased \$7.20 for every \$1 of ACOA expenditure			
Summary of Achievements against 2007-2008 Priorities					
<ul style="list-style-type: none">Over 2003-2008, direct ACOA support to businesses for commercial projects produced increases of over \$7 in GDP gains for every dollar of ACOA expenditure.Fostered improved productivity and competitiveness of innovative technologies in Atlantic Canadian companies through enhanced efforts to assure the realization of their commercial opportunities. The Agency approved the funding of 31 new research and development projects under the Atlantic Innovation Fund, committing over \$80 million, while continuing to focus on commercialization of technologies resulting from successful projects funded previously.Improved the climate for business growth for small and medium-sized enterprises to help them start, expand and modernize their businesses. A significant majority of participants in skills development activities reported that the skills acquired were relevant to enhancing their business start-up, survival or growth.Supported the efforts of two recently established angel networks that provide much needed equity financing to deserving early-stage enterprises.					
Program Activity	Expected Results	Planned Spending (\$ millions)	Total Authorities (\$ millions)	Actual Spending (\$ millions)	Alignment with <u>Government of Canada Outcomes</u>
		2007-2008	2007-2008	2007-2008	
Fostering the development of institutions and enterprises, with emphasis on those of small and medium size	Improved growth and competitiveness of Atlantic Canadian SMEs	208.6	216.3	213.6	 <u>Strong Economic Growth</u> ▼

To obtain further information, click on the Government of Canada Outcomes or visit <http://www50.gov.gc.ca/outcomes/pubs/eng/eng121.asp>

² The analysis is carried out by comparing "ACOA clients" to "comparable firms". Comparable firms are firms that are of similar age, size, sector and geographic region, but that did not receive a direct monetary contribution from the Agency.

Strategic Outcome 2: Dynamic and sustainable communities for Atlantic Canada




<u>Performance Indicators</u>	<u>Targets</u>	<u>Performance Summary</u>
Increased capacity in community decision making, planning and delivery	Economic development plans in place and community economic development underway	Program evaluations currently underway; results will be available in 2009-2010 Performance Report
Survival rate of rural businesses (ACOA clients versus comparable firms)	Stabilize or increase survival rate of rural businesses	On track. ACOA clients: 46% Comparable firms: 39%

Summary of Achievements against 2007-2008 Priorities

- Data obtained from Statistics Canada demonstrated that the survival rate over the first five years of operation for ACOA clients in rural communities is more stable than the rate for comparable firms.
- ACOA continued to help communities build their capacity to identify and coordinate the implementation of priorities for economic development in their region.
- In 2007-2008, through ACOA's main tool for community investment, the Innovative Communities Fund, the Agency contributed over \$52 million toward 152 projects across Atlantic Canada, leveraging another \$106 million.
- A summative evaluation of the Community Development investment program in March 2008 concluded that the program addressed the needs of communities and enhanced their capacity for economic development initiatives.

Program Activity	Expected Results	Planned Spending (\$ millions)	Total Authorities (\$ millions)	Actual Spending (\$ millions)	Alignment to Government of Canada Outcomes
		2007-2008	2007-2008	2007-2008	
Fostering the economic development of Atlantic communities	Enhanced business and economic opportunities for Atlantic Canada communities; Enhanced community collaborations	100.9	106.3	104.8	→ Strong Economic Growth
Special Adjustment Measures	Reduced impact of economic crisis	40.5	29.8	29.6	→ Strong Economic Growth
Infrastructure Programming	Enhanced infrastructure in urban, rural communities, and public infrastructure	5.1	11.7	11.7	→ Strong Economic Growth

Strategic Outcome 3: Policies and programs that strengthen the Atlantic economy

Performance Indicators	Targets	Performance Summary			
Atlantic regional programs/initiatives implemented or adjusted as a result of ACOA policy, advocacy and coordination work	Continued government support of Agency priorities, collaboration with other federal departments, and engagement with other partners in Atlantic Canada in areas that will contribute to increasing the competitiveness of Atlantic Canada's economy	Successful collaborative efforts with other government departments, as well as with the four provincial governments of the region, on key issues pertaining to ACOA's priorities			
Summary of Achievements against 2007-2008 Priorities					
<ul style="list-style-type: none">• ACOA carried out policy analysis and research in areas such as: renewable resources, demographic issues, labour force trends and productivity.• Explored issues relating to productivity and competitiveness in the renewable resource sectors, resulting in an in-depth analysis of the Atlantic Canadian forest industry as well as participation in a resource processing industries scenario planning exercise with Industry Canada and other government partners.• Conducted studies and other activities targeting the Atlantic Gateway, which resulted in the finalizing and launching of the Atlantic Gateway Business Case and the signing of a Memorandum of Understanding between the Government of Canada and the four Atlantic Provinces.• ACOA continued to advocate the interests of Atlantic Canada to make new government initiatives more responsive to the needs of Atlantic Canada through Advocacy Champion files.					
Program Activity	Expected Results	Planned Spending (\$ millions)	Total Authorities (\$ millions)	Actual Spending (\$ millions)	Alignment to Government of Canada Outcomes
		2007-2008	2007-2008	2007-2008	
Policy	Strategic, researched policy decisions reflecting the opportunities and challenges in the Atlantic region's economy, while considering enterprise and community development potential	7.7	6.2	6.4	 <u>Strong Economic Growth</u>
Advocacy	Federal policies and programs that reflect Atlantic Canadian enterprise and community development needs and interests	4.1	4.3	3.4	 <u>Strong Economic Growth</u>
Coordination	Coordination of other federal departments' and other stakeholders' policies and programs within the region to form integrated approaches to development	2.3	2.3	2.1	 <u>Strong Economic Growth</u>

1.2.2 Risk Analysis

ACOA's Response to the Changing Economic Landscape

ACOA operates within the changing economic landscape of Atlantic Canada. The Agency's broad-based approach to economic development addresses the underlying structural challenges in the regional economy. Being proactive in identifying opportunities requires the Agency to assess external economic factors that can affect the delivery of its programs and services. The following provides an outline of ACOA's response to the changing economic landscape in 2007-2008. A statistical data analysis for Atlantic Canada's economy for 2007-2008 is detailed in Section 3 of this report, as are provincial economic challenges.

Challenges and Opportunities

During the past year, challenges such as the substantial rise of the Canadian dollar, the slowdown of the American economy and high and rising prices for energy, have combined to affect the competitiveness of firms in the Atlantic region. Along with the difficulties faced by the region's resource-extraction and processing industries, these challenges have tested Atlantic Canada's economy.

Atlantic Canada remains one of Canada's most rural regions. In recent years, it has been characterized by declining population levels brought upon by a high level of out-migration, together with low levels of international immigration. Along with the dependence of many Atlantic Canadian communities on resource industries, concerns are emerging regarding the future supply of skilled labour and the need to increase productivity levels.

Opportunities for Atlantic Canada lie in the region's strengths. One area of potential is in the repositioning of the region's traditional resource-based industries to create higher value-added products that could penetrate new markets. This includes Atlantic Canada's mineral and oil extraction and processing sectors, which are experiencing a rebound in activity. Other opportunities lie in the growth of new sectors such as aquaculture, bioscience, aerospace, information and communications technology (ICT) and alternative energies, such as wind and tidal.

The successful realization of opportunities in these areas will depend a great deal on close collaboration between the private sector and a number of partners including post-secondary institutions to support initiatives in human capital development and innovation. The high concentration of higher education institutions (HEIs) in Atlantic Canada represents an advantage for the growth of many sectors within the region, considering the variety of interactions HEIs have with businesses and communities.

In 2007-2008, ACOA continued to work directly with communities in all four Atlantic provinces to strengthen their decision-making capacity and aid in the diversification of local economies, through the promotion of:

- competitive and sustainable Atlantic enterprises, especially small and medium-sized enterprises (SMEs);
- dynamic and sustainable communities; and
- policies and programs that strengthen the Atlantic economy.

ACOA continues to be the region's primary instrument for delivering federal economic development programs. In responding to the challenges and opportunities faced by the region, the Agency ensures that its economic development approach reflects the federal government's comprehensive long-term economic plan, *Advantage Canada*. *Advantage Canada* focuses on creating Canadian advantages that will help the nation improve its quality of life and succeed on the world stage. The Agency directly supports three of the stated elements of *Advantage Canada*: the *Entrepreneurial Advantage*, the *Knowledge Advantage*, and the *Infrastructure Advantage*. While some challenges are a result of global forces, such as the rising Canadian dollar or the failing American economy, the Agency still has a role to play, for example, in helping firms diversify their export base. Other challenges, such as the downturn faced by resource-dependent communities, skilled-labour shortages befalling the region, and low-productivity levels are being actively tackled by Agency initiatives.

In order to ensure that firms based in Atlantic Canada remain competitive in global markets, the Agency supported a range of productivity improvements in SMEs through technology adoption, private sector R&D and the commercialization of new technologies by means of program tools such as the Business Development Program (BDP) and the Atlantic Innovation Fund (AIF).

As a means of dealing with lower productivity levels in the region and targeted skills shortages, ACOA contributes to the creation of a *Knowledge Advantage* in the region, primarily by supporting measures that enhance levels of business skills in Atlantic Canada. These initiatives are an investment in the quality of human capital that is a crucial component of business competitiveness in the region. Agency programs encouraged SMEs to improve their competitiveness by investing in the development of technical, trade, commercialization and management skills. The Agency reached out to various groups in the region – in both urban and rural communities – and supported them in developing their entrepreneurial skills by focusing initiatives on women in business and young entrepreneurs.

As entrepreneurs throughout the region are finding it difficult to fill vacancies within their organizations, the Agency continues to tackle issues of labour shortages. Through co-operation with provincial governments and Citizenship and Immigration Canada, the Agency has pursued the development of an Atlantic Population Strategy, the goal of which is to increase immigration and improve the proportion of international immigrants who decide to settle and remain in the region. A skilled immigrant workforce will have a direct and positive impact on Atlantic Canada's success in the global economy.

In order to boost the region's competitiveness and to build new opportunities in emerging industries, ACOA supports Atlantic Canada's *Infrastructure Advantage* by investing in world-class infrastructure to improve the flow of people, goods and services, including research facilities and sustainable initiatives at the local level. Throughout the last fiscal period, the Agency continued, along with the four Atlantic Provinces and other federal departments, to be a key player in the coordination and development of the Atlantic Gateway. The Atlantic Gateway will facilitate trade flows leading to increased economic opportunities in Atlantic Canada and North America's east coast.

Agency efforts in innovation, including involvement in initiatives such as *Springboard Atlantic*, have encouraged partnerships between businesses and the research community, including higher education institutions. In 2007-2008, Round V funding of the AIF program provided

opportunities for Atlantic Canada's universities, colleges and businesses to further build on the region's research strengths. In early 2008, 29 projects from the region were approved for over \$63 million in AIF funding in areas such as software development, biodegradable materials, human genetics, bio-medical engineering and aquaculture-related research.

Sustainable opportunities at the local level are also supported through the Innovative Communities Fund (ICF), which funds strategic projects that build the economies of Atlantic Canada's communities. The ICF focuses on the strengths of communities and provides the tools needed to identify opportunities available for their sustainable economic growth. For example, during the 2007-2008 period, ICF funding was made available throughout the region in order to facilitate accessibility to technologies and training programs, which leads to long-term employment and economic capacity building in rural communities.

ACOA's Key Risks and Risk Management

One of the priorities of 2007-2008 was the integration of a robust risk management function into the Agency's programming and internal services. In this regard, the Agency made considerable advancement in the development and implementation of the risk management function, both in terms of adherence to Treasury Board requirements, as well as in consideration of expectations promulgated by companies and organizations in both the private and public sectors.

More specifically, ACOA addressed the following tasks.

Integration of risk management into Agency activities

Risk management was integrated in the Agency's project evaluation process, corporate planning process, internal audit planning, evaluation planning, human resource management, business continuity planning, and internal audit engagement scope and objectives identification. Further work focused on continuing risk integration in programming is scheduled for fiscal year 2008-2009.

Assurances on the level of risk mitigation

Risk mitigation measures were developed for the Agency's Key Risks and articulated in the Corporate Risk Profile, approved by the Executive Committee. The Agency also completed several other key reports and activities, which were highlighted by Treasury Board as being necessary for a strong and sustainable risk management function. These include a Corporate Risk Profile; Risk Register; Integrated Risk Management Framework; Risk Continuous Learning

ACOA's Five Key Risks

Strategic Risk

The risk that Agency strategies are not aligned with government economic objectives/policies, nor reflective of emerging economic development concepts, thereby leading to opinions that the Agency is redundant.

Cost of Doing Business Risk

Risk that the cost of doing business escalates and represents an increasing portion of the Agency's budget, adversely affecting operational efficiency and leading to budgetary pressures for programming.

People Management Risk

The risk that ACOA's talent agenda (i.e. leadership, recruitment, training, promotion, work/life balance, competencies) does not adequately sustain the necessary workforce required to carry out the Agency's mandate in the future and that the Agency experiences a significant loss of corporate memory.

Information Management Risk

The risk that data being collected is inaccurate, incomplete, excessive or inaccessible, so that decision making and efficient use of resources is adversely affected.

Reputational Risk

Reputation risk materializes when the proactive flow of positive information wanes and/or when the negative publicity triggered by certain internal or external events, whether accurate or not, compromises the Agency's reputation and results in a loss of credibility.

Strategy; and Integrated Risk Management Process. Comprehensive risk mitigation strategies were developed for each of the key risks. Implementation of the mitigation measures is monitored during the fiscal year and reported to the Executive Committee semi-annually.

1.2.3 Expenditure Profile

Overview

ACOA's actual spending for 2007-2008 was \$371.6 million and represents a change in spending of 11% or \$47 million from \$418.7 million in 2005-2006. Changes in the spending profile are primarily due to the following factors:

- Expenditures in 2005-2006 were higher due to the reprofile of funds from 2004-2005. This was offset by a growth in expenditures for 2006-2007 and 2007-2008 under the Special Adjustment Measures activity as projects under the Saint John Shipyard Adjustment Initiative were approved and completed.
- Expenditures under Infrastructure Programming show a decline starting in 2005-2006 as the projects under the Infrastructure Canada Program were nearing completion and the program started winding down, while expenditures from new activities occurring under infrastructure are now reported by Infrastructure Canada.
- Changes in spending under other activities are showing the impact of reallocation and Expenditure Review decisions made in 2004-2005 and 2005-2006.

The table below highlights the changes in spending for each Program Activity and highlights the variances between the Main Estimates, Planned Spending, Authorized Spending, and Actual Spending for each Program Activity in 2007-2008.

Program Activity	2005-2006 (\$ millions)	2006-2007 (\$ millions)	2007-2008 (\$ millions)			
	Actual Spending	Actual Spending	↕ Main Estimates	Planned Spending	Total Authorities	Actual Spending
Fostering the development of institutions and enterprises	259.2	223.6	205.8	208.6	216.3	213.6
Fostering the economic development of Atlantic communities	114.3	115.3	100.8	100.9	106.3	104.8
Special Adjustment Measures	1.9	13.1	40.5	40.5	29.8	29.6
Infrastructure Programming	30.9	21.9	5.1	5.1	11.7	11.7
Policy	5.8	5.9	7.7	7.7	6.2	6.4
Advocacy	3.1	3.3	4.1	4.1	4.3	3.4
Coordination	3.5	2.2	2.3	2.3	2.3	2.1
Total Agency Spending	418.7	385.3	366.3	369.2	376.9	371.6

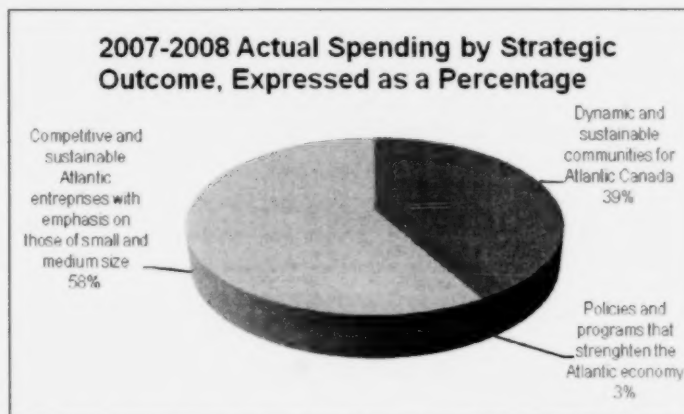
Analysis of 2007-2008

Planned spending in 2007-2008 of \$369.2 million was augmented by a further \$7.7 million provided through new authorities and transfers including compensation adjustments, severance pay, parental leave benefits and leave payout, operating budget carry forward, increased costs of employee benefit plans and other minor funding adjustments.

Actual spending of \$371.6 million represents a surplus of \$5.3 million from total authorities of \$376.9 million. The Agency has access to a portion of this surplus and plans to carry forward \$3.6 million to meet planned requirements in 2008-2009.

Analysis by Activity

For the most part, spending was according to plan with a reallocation of \$10.7 million from the special adjustment measures activity. Due to changes in timelines for the Saint John Shipyard Adjustment Initiative, \$6.5 million was allocated to the infrastructure programming activity to meet commitments on projects reprofiled from previous years, and \$4.2 million was allocated to the activity, Fostering the economic development of Atlantic communities, in order to meet the higher level of commitment experienced under the Innovative Communities Fund.



Voted and Statutory Items

This table displays the way Parliament approved resources and shows the changes in resources derived from supplementary estimates and other authorities, as well as how funds were spent.

Vote # or Statutory Item (\$)	Truncated Vote or Statutory Wording	2007-2008 (\$ millions)			
		Main Estimates	Planned Spending	Total Authorities	Actuals
1	Operating expenditures ⁽¹⁾	79.1	82.0	88.4	83.1
5	Grants and Contributions	279.2	279.2	279.1	279.1
S	Contributions to employee benefit plans	8.0	8.0	9.4	9.4
Total		366.3	369.2	376.9	371.6

- (1) Planned spending includes funding to provide information services on government regulations, programs and business support to small businesses and entrepreneurs; funding in support of the *Federal Accountability Act* to evaluate all ongoing grant and contribution programs every five years; and incremental funding in support of new requirements of the policy on Internal Audit.

Total authorities include the carry forward of unused funds from the previous fiscal year; funding to meet legal requirements of the employer such as parental leave, entitlements upon cessation of service or employment and adjustments made to terms and conditions of service or employment in the public service; funding as a result of adjustments made to terms and conditions of service or employment of the federal public administration; funding for activities that are essential to the continued implementation of the *Public Service Modernization Act*; and funding for the Canada Strategic Infrastructure Fund relating to investments in public infrastructure projects designed to improve the quality of life in both urban and rural communities.

Actual spending is less than total authorities and reflects the carry forward of funds for initiatives planned in 2008-2009.

1.2.4 Human Resources

	Planned	Actual	Difference
Human Resources (FTEs)	757	726	31

Actual utilization of human resources increased to 726 Full-time Equivalents (FTEs) or about 4% over the previous year. Although planned utilization was 757 FTEs, changes in staffing plans and other adjustments to operational requirements resulted in lower utilization and variances were experienced in most activities.

Section II – Reporting on Results: Analysis of Program Activities by Strategic Outcome

2.1 Strategic Outcome 1 – Competitive and sustainable Atlantic enterprises, with emphasis on those of small and medium size

<i>Indicators:</i>	<i>Annual Target: (2007-2008)</i>	<i>Performance Summary:</i>
<ul style="list-style-type: none">• Employment growth ratio of ACOA clients versus comparable firms	<ul style="list-style-type: none">• Ratio of 1 to 2	<ul style="list-style-type: none">• On track (1.2)
<i>Five-year Target:</i> <i>(2003-2004 to 2007-2008)</i>		
<ul style="list-style-type: none">• Increase in GDP per \$1 of ACOA expenditure	<ul style="list-style-type: none">• \$4 to \$5 in GDP gains for every \$1 of ACOA expenditure	<ul style="list-style-type: none">• Exceeded – GDP increased \$7.20 for every \$1 of ACOA expenditure

Performance Measurement Strategy: Measuring the impact on income and employment in Atlantic Canada is a long-term, multi-dimensional undertaking. The annual target is measured through analysis of Statistics Canada data. The five-year target is measured every five years through analysis of data from Statistics Canada and internal systems, using econometric modelling from the Conference Board of Canada.

ACOA continues to deliver programs and initiate strategies that are constantly evolving in order to adapt to the current requirements of the local business community and the demands of the global marketplace. ACOA strives to apply its limited resources to areas that offer the greatest potential impacts. Given the mandate of the Agency, ACOA focuses on Atlantic enterprises that are of a small and medium size because they have proven to have the most significant and sustained impact on job creation in Atlantic Canada³.

This focus has resulted in employment growth and wealth creation for the benefit of Atlantic Canada residents. Employment in small and medium-sized ACOA clients is estimated to have grown by an average of 2.7% per year from 1995 to 2005, while comparable firms experienced employment growth of 2.2%. ACOA thereby attained its target (ratio of 1.2)⁴.

Job gains for ACOA client SMEs were particularly significant in the manufacturing sector and in accommodation and food services. In fact, employment growth in the manufacturing sector averaged 4.1% per year over the 10-year period and represented over half of the job gains registered by ACOA client SMEs. Employment for comparable firms in the manufacturing sector increased at a slower pace, coming in at an average of 2.9% per year. Moreover, net job

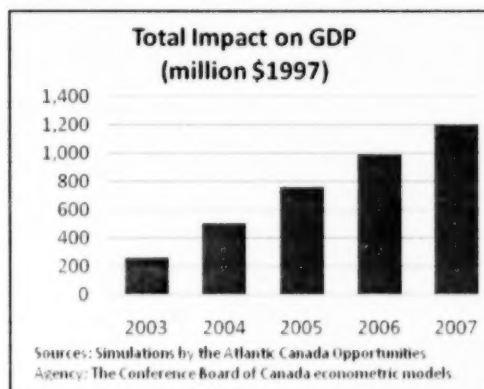
³ *The State of Small Business and Entrepreneurship, Atlantic Canada 2005*, Atlantic Canada Opportunities Agency (2005). In the 1990s, 70% of the jobs created by new firms in Atlantic Canada were attributed to small businesses.

⁴ Small Business and Special Surveys Division, Statistics Canada (November 2007).

gains in ACOA client SMEs operating in the manufacturing sector were higher than those in comparable firms.

Employment in the accommodation and food services sector grew by an average of 4.9% per year from 1995 to 2005 for ACOA client SMEs. On the other hand, job growth was weaker among comparable firms operating in this sector, averaging 2.2% per year over the same time period.

Another measure of the impact of ACOA's expenditures in direct support of businesses in Atlantic Canada is the increase in the GDP resulting from these investments. In its most recent *Five-Year Report to Parliament (2003-2008)*, it is estimated that real GDP was \$1.2 billion higher (in constant 1997 dollars) in 2007 than it would have been in the absence of ACOA's expenditures in direct support of businesses⁵. Furthermore, over the five-year period covered by the report, direct ACOA support to businesses for commercial projects produced increases of over \$7 in GDP gains for every dollar of ACOA expenditure.

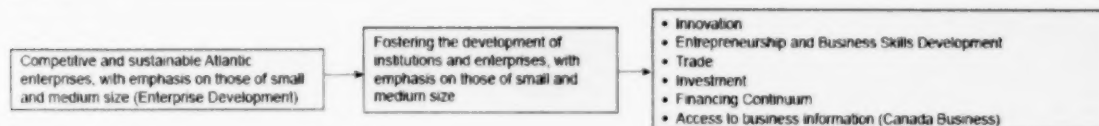


During the past year, the Agency continued to support innovation and commercialization of research and development within the region's SMEs, universities and other organizations. Strong emphasis was also put on the development of skills within the SMEs as well as on fostering improved international trade.

ACOA also continued to support strategic sectors, such as aquaculture, manufacturing, tourism and knowledge-based industries. These sectors remain important to the region and present opportunities for continued development. By helping individual SMEs in both rural and urban areas to improve their competitiveness, the Agency delivers on this strategic outcome.

⁵ Real GDP is the inflation-adjusted value added of products and services produced in a given year in an economy.

2.1.1 Program Activity: Fostering the development of institutions and enterprises, with emphasis on those of small and medium size



Expected Results: Improved growth and competitiveness of Atlantic SMEs

Indicators:

- Survival rate ratio of ACOA clients over comparable firms
- Payroll growth ratio of ACOA clients over comparable firms

Annual Targets: (2007-2008)

- Ratio of 1 to 2
- Ratio of 1.5 to 2

Performance Summary:

- On track (1.4)
- Not met (0.8)⁶

For detailed information on any of these program sub-activities, please click on the link <http://www.acoa-apec.ca/e/library/reports/dpr2008/index.shtml>

Performance Measurement Strategy: Analysis of Statistics Canada data and internal systems data.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
208.6	216.3	213.6	446	441	5

Program Activity Summary: ACOA works to improve the region's capacity for economic growth through a variety of strategically focused mechanisms, including both direct and indirect assistance to SMEs and institutions, and support to industry associations and other not-for-profit organizations. The Agency partners with universities and other institutions to increase the region's research and development capacity, augment commercialization abilities and improve productivity, thereby promoting and enabling the region's transition to the knowledge economy. ACOA also helps enterprises to start, expand or modernize their businesses, to establish export activities and to develop the skills needed to improve their competitiveness.

Benefits for Canadians: The Agency's mission is to develop all regions of Atlantic Canada, through the strengthening of SMEs. The challenge to attract the required capital to start, grow and expand a business varies based on the sector of the business and its location. For example, it is easier to finance an asset-based company than a knowledge-based venture, because there are assets that can be pledged as collateral. Also, it is more difficult to finance a building in a rural area than a similar building located in an urban area, because the probability of reselling an urban property, in the event of a default on the loan, is better for the creditor. This is why ACOA pays special attention to SMEs facing these bigger challenges. By helping SMEs to become more innovative, productive and competitive, the Agency helps all regions of Atlantic Canada to become stronger, thereby facilitating their increased contributions to the national economy.

⁶ A detailed discussion on payroll growth and the factors that could explain the performance of ACOA clients relative to comparable firms is presented on pp.17-18.

Performance Analysis: ACOA fostered the development of institutions and enterprises, with emphasis on enterprises of small and medium size, through a number of sub-activities. The Agency's direct funding to SMEs principally targets priority areas of innovation, skills development and trade. The type of activities supported includes research and development, technology adoption, productivity and quality improvement, skills development, marketing and trade, new establishments and expansion/modernization. ACOA endeavours to deliver strategic assistance as opposed to being a broad-based financing provider.

In the priority area of Innovation, the Agency approved the funding of 31 new research and development projects under the Atlantic Innovation Fund (AIF), committing over \$80 million and leveraging an additional \$83 million from other sources such as universities and other research institutions, provincial governments, the private sector and national programs. Since the advent of the AIF in 2001, increased capacity for innovation has been built in the region, in the various universities and community colleges. The AIF has also led to an increase in the level of privately funded R&D that is being carried out in Atlantic Canada. Although still below the national average, private funding for R&D has been increasing because ACOA's project selection process is focused on increasing the participation of commercial entities. For example, the percentage of approved AIF projects from commercial proponents was 55% in 2007-2008, and over 90% of newly approved institutional projects now have private sector partners (up from 85% in 2006-2007).

Although it is not quantifiable, another achievement realized by the AIF is in the quality of projects that are presented for consideration in recent calls for Project Proposals. The vast majority of projects are of high quality, present intriguing scientific opportunity and are led by experienced researchers. There is no shortage of interesting research proposals being presented at each round. This is good news for the region's long-term economic prospects.

In addition to the AIF, ACOA funds research and development, technology adoption/adaptation and productivity improvement projects under the Business Development Program (BDP). During 2007-2008, a further \$20 million was approved for projects related to innovation.

Another sub-activity for the Agency is Entrepreneurship and Business Skills Development. ACOA promoted the benefits of entrepreneurship as a career choice. The success of these efforts was validated by the fact that ACOA has met its three-year target established in 2005-2006. Since then, 68% of participants in entrepreneurship awareness and promotion activities have demonstrated an increased intent to start a business.

Creating new businesses is important, but the Agency also recognizes the importance of enabling growth and continuity of the existing pool of SMEs. Accordingly, ACOA funded the development of business skills aimed at improving managerial activities within existing enterprises. Eighty-seven percent of participants in business skills development activities indicated the skills acquired were relevant to enhancing the survival and growth of their businesses, again surpassing the three-year target established in 2005-2006. Improving skills, whether they are technical, marketing, human resource or even financial, will help SMEs to improve their productivity and competitiveness.

The Agency's efforts in the area of Trade are geared to helping SMEs to improve their export-readiness potential and to develop increased export capability. In 2007-2008, these programs

produced 87 new exporters and helped 162 SMEs to develop new export markets. This is achieved mainly through direct funding to SMEs, which is aimed at allowing them to undertake marketing activities outside Canada, in markets that have the potential to become fertile for the enterprise.

More than 1,000 SMEs in Atlantic Canada became one step closer to being export-ready by participating in trade awareness sessions, mentoring programs or skills development courses supported by ACOA. Through these activities, ACOA continues to create an environment where SMEs can develop the knowledge and confidence required to pursue new market opportunities and sell successfully in the global marketplace. This leadership role enables the Agency to help strengthen Atlantic Canadian SMEs, allowing them to grow and become more competitive.

The Agency promotes Atlantic Canada as a profitable location in which to do business. Activities undertaken under the **Investment** sub-activity resulted in the generation of 475 investment leads. These leads were identified as a result of close collaboration with partners who are equally committed to making contact with key decision makers and encouraging them to do business from Atlantic Canada. The Agency's investment-dedicated website, www.acoa.gc.ca/invest, experienced increased traffic; a total of over 15,000 unique visits were made to the site during 2007-2008.

Foreign Direct Investment is recognized as a significant catalyst to increasing innovation, productivity, trade and wealth creation for the region. ACOA and its partners, through the Pan Atlantic Investment Coordination Committee, are constantly adapting their strategies in order to ensure the optimal use of financial and human resources toward attracting foreign players who are willing to consider locating, or relocating, their operations to Atlantic Canada. As innovation capacity in the region is being developed through AIF funding and resulting products, this will become another enticing feature that will be used by the Investment group and its partners.

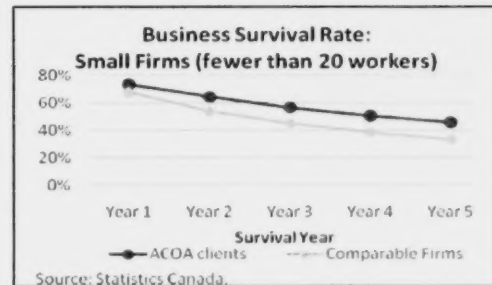
A number of financing gaps still exist in Atlantic Canada and the Agency aims to address these gaps, which are more prevalent in rural than in urban areas. Through the **Financing Continuum** sub-activity, ACOA provided financial support to SMEs and not-for-profit organizations allowing them to undertake 157 projects, with a total ACOA commitment of \$25.3 million. Such investments supported new business establishments, expansion and modernization projects and increased marketing activities. This funding is critical for these SMEs to undertake such activities, which are necessary for their growth and survival.

During 2007-2008, the Agency continued to foster the development of financing markets in Atlantic Canada. ACOA aims to be a catalyst in developing the availability of capital, whether it be debt or equity, so that all SMEs have reasonable access to the money needed to finance growth throughout their life cycles. The Agency's efforts in this area markets are best illustrated by the support provided to two recently established angel networks that provide much-needed equity financing to deserving early-stage enterprises. The First Angel Network Association and the Newfoundland and Labrador Angel Network are both active and growing, aided by the Agency support.

Through the **Access to Business Information (Canada Business)**, ACOA financially supported Canada Business, a focal point for entrepreneurs and businesses seeking information on government services, programs and regulations. A key indicator of its performance is client

satisfaction, which is measured every two years. The survey completed in 2006-2007 showed that 85% of those using Canada Business services in Atlantic Canada were satisfied with the quality of the information received. In fact, 87% of respondents believed that staff at the centres “went the extra mile”⁷. This service helped to make a difference both in the lives of Canadians and the Canadian economy, with 55% of respondents indicating that it helped them start a business⁸.

Through these sub-activities, ACOA provides assistance to enterprises in Atlantic Canada with the objective to improve their growth and competitiveness in the marketplace. Business survival rates can be used to measure ACOA’s performance in terms of competitiveness. A company’s survival depends on many factors including the age of the business, location and size. In Atlantic Canada, 87% of firms are in the small size category (fewer than 20 workers); 80% of ACOA’s start-up clients are in this category⁹. The impact of ACOA programming is evident among these small firms.



The five-year survival rate¹⁰ for ACOA clients in the small category is notably above the rate for comparable firms. In fact, the business survival rate for ACOA clients in this size category is 46%, while comparable firms have a business survival rate of 33% after the crucial fifth year following start up.

The increase in company payroll can be used as a measure of enterprise growth, which also translates into growth in earned income. ACOA did not meet its annual target in this area, as payroll for ACOA client SMEs expanded by one percentage point less than payroll in comparable SMEs. This resulted in a ratio of 0.8, while ACOA’s target was 1.5 to 2. More specifically, payroll expanded by an average of 4.7% per year from 1995 to 2005 for ACOA clients, while comparable firms experienced a payroll expansion of 5.7%.

Many factors, in addition to year-to-year variability due to the nature of the data, could explain the performance of ACOA clients relatively to comparable firms. As is presented in the challenges and opportunities in Section 1.2.2, the substantial rise of the Canadian dollar and the rising cost of energy have compounded the competitiveness challenge of firms in the region. Moreover, the availability of skilled workers is a challenge that negatively affects the capacity of firms to grow their workforce. In that context, it makes sense for firms to generate productivity gains in order to remain competitive and grow their sales and exports. This is why the Agency has made it a priority to foster improved productivity by focusing its programming in the areas of R&D, the acquisition of advanced technologies and business skills development¹¹. Given the fact that ACOA clients accounted for more than half of the region’s exports by SMEs in 2005 (54%),

⁷ Canada Business Network Client Satisfaction Survey 2007. POR Number 256-07. Total of 719 clients surveyed using a mix of phone and Internet. Results accurate within +/- 3.6%, 19 times out of 20.

⁸ Ibid.

⁹ Small Business and Special Surveys Division, Statistics Canada (November 2007).

¹⁰ Ibid.

¹¹ Atlantic Canada Opportunities Agency, 2008-2009 Estimates Part III – Report on Plans and Priorities¹¹.

it is possible that these factors had a more significant effect on the business of the exporting companies.

Further research and analysis have confirmed that while the Agency's clients have reduced their payroll growth relative to non-clients, the clients outperformed others in terms of labour productivity increases, sales and exports growth for the period 2001 to 2005.

According to Statistics Canada latest data, labour productivity in SMEs, which is estimated using the inflation-adjusted sales per worker, increased by 6.4% per year from 2001 to 2005 for ACOA clients, while comparable firms experienced a decline of 0.5%. Over the same period, sales by small and medium-sized ACOA clients have increased by an average of 4.7% per year, while comparable firms averaged only 2.1% sales growth. Finally, exports by small and medium-sized ACOA clients have increased on average by 12.3% per year. Exports by comparable SMEs have declined by an average of 5.9% annually.

Lessons Learned: According to a recent survey⁽¹⁾ commissioned by ACOA, as a result of continuing strong demand for workers in many sectors of the economy, SMEs believe that finding qualified staff is the most important issue currently facing their businesses. The Agency will continue to actively support the development of business skills and help companies to attract employees, sometimes Atlantic Canadians who were educated here, but who have since moved to other jurisdictions to pursue a career.

With respect to innovation, ACOA will focus on fostering improved commercialization of innovative technologies by identifying and pursuing commercialization opportunities within the AIF portfolio.

With a volatile American economy and weakening U.S. dollar, it is of primary importance for Atlantic Canadian businesses to identify new markets and reach beyond traditional ones. Although the U.S. will remain Atlantic Canada's largest trading partner for years to come, ACOA will increasingly help entrepreneurs to reach out to new and emerging markets such as South America, Central America, India and China.

ACOA's continued efforts to fund research and development, improve international trade and attract foreign direct investment, will result in the development of local SMEs, growth of the economy, and the availability of more attractive employment opportunities for recent and new graduates.

(1) ACOA Awareness and Perception Study, POR-257-07. Total of 400 businesses were surveyed in 2008 by phone. Results accurate within +/- 4.9%, 19 times out of 20.

2.2 Strategic Outcome 2 – Dynamic and sustainable communities for Atlantic Canada

Indicators:	Five-year Targets: (2003-2004 to 2007-2008)	Performance Summary:
<ul style="list-style-type: none">• Increased capacity in community decision making, planning and delivery• Survival rate of rural businesses (ACOA clients versus comparable firms)	<ul style="list-style-type: none">• Economic development plans in place and community economic development underway• Stabilize or increase survival rate of rural businesses	<ul style="list-style-type: none">• Program evaluations currently underway; results will be published in the 2009-2010 performance report.• On track ACOA clients: 46% Comparable firms: 39%

Performance Measurement Strategy: Analysis of data from Statistics Canada is used to calculate the business survival rate for ACOA clients and comparable firms in rural Atlantic Canada.

ACOA is committed to improving community economic infrastructure and strengthening strategic planning capacity as part of its goal to improve employment opportunities and stimulate economic growth in the Atlantic region. The Program Activities that pertain to this Strategic Outcome are:

- Fostering the economic development of Atlantic communities;
- Special Adjustment Measures; and
- Infrastructure Programming.

Sustainable and viable communities are essential to the economic growth of the regional economy. ACOA works closely with community stakeholders to participate in their efforts to take responsibility and accountability for their own development. To fill gaps in the community development model, ACOA supports other key community economic development organizations located throughout the region and directed by the communities themselves. This network of organizations works in a collaborative, co-operative way to address the many challenges of community development. ACOA plays a leadership role in bringing the partners together and ensuring that the communities themselves are leading the way.

ACOA and its funded organizations are based in virtually all Atlantic Canadian communities, from urban Halifax to rural Labrador and northern New Brunswick. In order to build communities, one must be present *in* those communities, working with people at the grassroots level. ACOA has 36 points of contact, including regional offices and district offices located throughout the region.

ACOA aims to maintain or improve the business survival rate of rural businesses in order to help create a strong economic climate at the community level. This is achieved through the work of

the Community Business Development Corporations (CBDCs) and the Regional Economic Development Offices (REDOs), for which ACOA provides annual operating support, as well as by ACOA's direct investments for commercial and non-commercial project in rural communities. This collaborative effort, combined with ACOA investments in rural SMEs, demonstrates positive results. Data obtained from Statistic Canada demonstrates that the survival rate over the first five years of operation for ACOA clients in rural communities is higher than the rate for comparable firms. In fact, the business survival rate in this size category for ACOA clients is 46%, while comparable firms have a business survival rate of 39% after the crucial fifth year following start up.

2.2.1 Program Activity: Fostering the economic development of Atlantic communities



Expected Results: Enhanced business and economic opportunities for Atlantic Canadian communities; enhanced community collaborations

Indicators:	Annual Target: (2007-2008)	Performance Summary:
• Number of business start-ups ¹²	• 700	• 884
• Number of businesses that have received funding to stabilize or expand operations	• 800	• 948
• Dollars leveraged on community development projects/investments	• \$103.2 million, adjusted from original target of \$368.5 million ¹³	• \$143.3 million

Performance Measurement Strategy: Analysis of data from CBDC reports and internal systems.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
100.9	106.3	104.8	182	174	8

¹² Results from CBDC/Seed Capital Atlantic reports.

¹³ ACOA's 2007-2008 Report on Plans and Priorities reported a target for leveraged funds of \$368.5 million; however, it included dollars leveraged from infrastructure projects of \$291.2 million, which should have been reported under Program Activity 2.2.3. Other leveraged funds were also incorrectly reported, thus resulting in a revised target of \$103.2 million for fiscal year 2007-2008. The revised amount includes dollars leveraged under the Innovative Community Fund (ICF) program, the Community Futures (CF) program and under the CBDC Seed Capital program.

Program Activity Summary: The Atlantic Canadian economy is built on the region's many geographic, linguistic and cultural communities. From small remote villages to larger urban centres, the opportunities and challenges vary significantly. Communities are the fundamental building blocks on which economies are built. Given their importance in an economic development framework, ACOA focuses targeted efforts and strategies on community development as one of the key pillars of its overall strategy for the region. ACOA supports Atlantic Canadian communities in their efforts to develop the resources they need to take full responsibility for their own economic development. ACOA works in co-operation with other levels of government, other federal government departments, non-government organizations, and community groups to lever support and coordinate economic development. This requires a flexible, holistic approach, based on the realities of a given community's capacities, strengths and challenges.

Benefits for Canadians: Atlantic Canada remains one of the most rural regions in Canada, with more than 40% of its population located in rural communities. In June 2007, ACOA initiated a process to identify new policy priorities for the Agency; the urban-rural issue was identified through this process. It is now widely recognized that urban and rural areas are interdependent – economically, socially and environmentally – and that they are important to each other's development. In addition, urban-adjacent communities are better positioned to take advantage of urban economic opportunities for investment, markets and employment.

A recent study entitled *ACOA Awareness and Perception Study*¹⁴ indicates that economic development stakeholders have noted that support for community economic development should be the Agency's most critical concern.

Performance Analysis: In 2007-2008, ACOA continued to work in co-operation with communities by making strategic investments to capitalize on opportunities for sustainable economic growth and to build community development capacity as identified in community economic development plans and strategies. In doing so, ACOA invests in the development of strategic economic development infrastructure.

ACOA's main tool for community investment is the Innovative Communities Fund (ICF), which has two components: Strategic Community Capacity and Pro-active Investments. In fiscal 2007-2008, ACOA committed over \$52 million toward 150 projects across Atlantic Canada.

Of those projects, 140 were approved for the Strategic Community Capacity component, with a total ACOA contribution of \$43.8 million leveraging another \$72 million. This component is designed to support strategic initiatives identified by communities, community groups or networks of groups and/or industry sector associations. These initiatives tend to be smaller investments in the development of specific economic infrastructure. They help communities to strengthen their community capacity and economic base, aid in the development of strategic sectors and stimulate economic development.

¹⁴ ACOA Awareness and Perception Study, POR-257-07. Total of 400 businesses were surveyed in 2008 by phone. Results accurate within +/- 4.9%, 19 times out of 20.

For example, ACOA invested \$209,000 in 2007-2008 in a multi-year project of the Newfoundland and Labrador Federation of Agriculture. Growth of the provincial cranberry industry could generate significant direct and indirect economic impacts, particularly in rural areas. This project will result in the development of an additional 52 acres, which will enable the farms involved to grow toward a sustainable, commercial level. It will also encourage further expansion of the industry. The project is an example of an industry association working together with the private sector and government to advance the agricultural sector.

The ICF's Pro-active Investments component is intended to stimulate change through pro-active identification and implementation of strategic opportunities with local partners (e.g. Regional Economic Development Organizations, Community Business Development Corporations and local/municipal leaders). ACOA capitalized on the capacity, strengths and opportunities present in communities. There were 10 proactive investment projects approved in 2007-2008, for a total ICF contribution of \$8.5 million; it leveraged more than \$34 million from other funding partners.

For example, in 2007-2008, ACOA approved a \$109,000 project with the Nova Scotia Community College (NSCC) to develop a business incubation centre. This three-year pilot project represents an investment to diversify and enhance the rural economy of Annapolis County. It is an opportunity to capitalize on existing assets and strengths that exist at the NSCC Annapolis Valley Campus, namely its world-renowned geomatics programs and its highly sought after graduates.

ACOA also continued to support 41 Community Business Development Corporations (CBDCs)[^] in rural Atlantic Canada, through the Community Futures Program. The CBDCs provide assistance under the Seed Capital Program[^] for loans to start, expand or improve a small business, as well as to acquire business skills training.

ACOA's contributions permit the CBDCs to provide an essential source of investment capital for rural small business, as well as businesses counselling and skills development.

In fiscal 2007-2008, the CBDCs invested \$57.7 million through 1,904 loans supporting small and medium-sized enterprises (SMEs). Of these loans, 884 were categorized as start-ups and the remaining 948 were for expansion and/or modernization of SMEs. CBDC investments leveraged \$58.8 million from other existing sources such as the owner's contribution, other federal/provincial/municipal governments, councils, agencies and programs as well as private and non-governmental sources (e.g. banks and other financial institutions). The CBDCs provided


Lessons Learned: A summative evaluation of the Strategic Community Investment Fund (SCIF) program in March 2008 concluded that it was an effective program that contributed to the economic development of Atlantic Canada. Furthermore, the evaluation indicated that the program received positive reviews from the communities it served.

More specifically, the evaluation found that the program:

- was relevant to the needs of communities across Atlantic Canada;
- was linked to government-wide priorities;
- was relevant to ACOA's mandate;
- addressed the needs of communities and enhanced their capacity for economic development initiatives;
- produced the intended projects results in terms of infrastructure;
- benefited businesses and residents in those communities from an economic and social perspective; and
- was complementary to other ACOA programs and to other federal and provincial programs.

The Strategic Community Investment Fund (SCIF) aimed at investing in strategic projects that build the economies of Atlantic Canada's communities. The program expired on March 2005 and has since been replaced with the Innovative Community Fund (ICF).

business counselling to more than 8,000 clients in 2007-2008 as part of their ongoing support to rural SMEs. During the same period, the CBDCs provided training to over 500 clients under the Seed Capital Program.

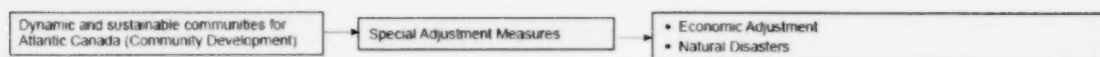
ACOA also continued to work in co-operation with other levels of government by supporting the 52 Regional Economic Development Organizations (REDOs)  located in Atlantic Canada. ACOA invested a total of \$9.1 million in operational funding to the REDOs for fiscal 2007-2008. This investment leveraged an additional \$9 million from provincial and municipal governments. As a result of this investment, strategic plans were developed in rural communities to assist the communities in assessing their strengths and weaknesses in order to implement strategic initiatives that contribute to economic growth. Such initiatives ranged from mobilizing communities toward common goals to investing in strategic projects.

ACOA provided its continuous support to the Aboriginal communities and the Official Language minority priorities during 2007-2008.

Seventeen First Nation communities in Atlantic Canada were engaged in different phases of a Comprehensive Community Planning Process. Through this process, these communities – which are small, remote and characterized by an extremely high unemployment rate and a young, rapidly growing population – will develop a strategic plan to map out their future directions and economic development priorities. ACOA supported a variety of projects in such diverse fields as accessibility to business information, business support, Aboriginal procurement, tourism, business and workplace skills, economic diversification, and business and strategic planning. Through the Atlantic Policy Congress and work with Aboriginal Economic Development organizations, ACOA contributed to five economic development coordination mechanisms, including the Joint Economic Development Initiative, in order to encourage Aboriginal economic development in the region.

Recognizing the important role of official language minority communities in Atlantic Canada, ACOA continued to collaborate with Acadian and Francophone organizations to enable them to engage in activities that foster the sustainable community infrastructure necessary for economic development. In an effort to enhance the vitality of communities and support their development, the Agency supported internship and tele-learning initiatives such as the Community Entrepreneurial Leadership Development Program for Francophone Community Leaders in Atlantic Canada. ACOA also formed a committee with the region's Réseau de développement économique et d'employabilité (RDÉE) with a view to better identify the economic development needs on the region.

2.2.2 Program Activity: Special Adjustment Measures



Expected Results: Reduced impact of economic crisis

Indicator:

- Presence of new/diversified economic activity

Target:

- As determined by the objectives of each program

Performance Summary:

- Delivery of the Saint John Shipyard Adjustment Initiative in Saint John, New Brunswick

Performance Measurement Strategy: Evaluation of data from studies, surveys and internal evaluations.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
40.5	29.8	29.6	2	1	1

Program Activity Summary: There are circumstances in which federal government decisions, or impacts in an area of its mandate, have resulted in the need for a major adjustment in a community or region. From time to time, there is also a need for targeted government interventions as a result of natural disasters. These measures are based on the appropriation of new funds that are delivered through ACOA as the federal economic development agency for Atlantic Canada. Each special adjustment measure will have specific objectives, clients and performance measures.

Benefits for Canadians: While Canada's strong economic fundamentals set the stage for long-term growth and prosperity, economic adjustments pose significant challenges for some workers and communities. Certain communities are vulnerable because of their dependence on a single employer or on a sector facing difficulties due to such factors as exchange rate fluctuations, increased competition and declining demand in key markets. Funding under special adjustment measures or under territorial and provincial agreements will assist communities in lessening the impact of economic downturn within their respective areas.

Performance Analysis: In 2007-2008, ACOA continued to deliver the Saint John Shipyard Adjustment Initiative (SJSI) in response to the closure of the shipyard in Saint John, New Brunswick. This initiative was designed to ensure the transition from the closure of shipyard operations to redevelopment of the site for other economic development use, through \$55 million in total available funding.

In the past year, this initiative has seen the conclusion of the former shipyard's refurbishment into a green industrial park that is now poised to accept tenants. In this regard, it is one of the few North American examples of the successful transformation of a former shipyard site.

The first project approved under the Shipyard Redevelopment Program (SRP) included a feasibility study to identify the best use for the former shipyard site as well as site improvements, in order to remove impediments for future development. The total provisionally repayable contribution for this project was \$9.95 million and was fully disbursed by the end of fiscal 2007-2008.

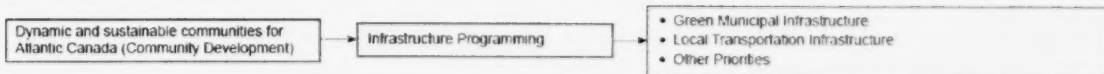
The SRP led to an initial application under the SJSAI's Industrial Diversification Program (IDP) to assist in the establishment of a gypsum wallboard manufacturing facility on the former shipyard site. This project was allocated \$35 million in provisionally repayable funding and was completed during fiscal 2007-2008. This plant employs 56 people with a monthly forecasted volume of 12-18 million square feet. The site's owner, The Irving Group, is currently evaluating several proposals to utilize the balance of the SJSAI; these include additional manufacturing facilities that will create synergies with the wallboard plant.

Lessons Learned: In the past, ACOA has delivered Adjustment programs in order to respond to the closure of military bases, the closure of the cod fishery, and the termination of the ferry service between New Brunswick and Prince Edward Island.

As a region still highly dependent on the natural resource sectors, Atlantic Canada faces significant challenges in terms of economic adjustment. The Government's role in support of individual and community adjustment is a transitional activity that facilitates economic adjustment, by working with all stakeholders, including the provinces.

ACOA will continue to work in partnership with the provincial governments to support specific programming initiatives to address special economic circumstances in Atlantic Canada.

2.2.3 Program Activity: Infrastructure Programming



Expected Results: Enhanced infrastructure in urban and rural communities, and public infrastructure

Indicator:

- Dollar value and number of projects by type (Green municipal infrastructure and local transportation infrastructure)

Annual Targets: (2007-2008)

- \$58.4 million over a one-year period, adjusted from original target stated as \$308.8 million over a one-year period¹⁵
- 197 green municipal infrastructure projects
- 1 local transportation infrastructure project

Performance Summary:

- \$42.1 million
- 90
- none

Performance Measurement Strategy: Analysis of data from Shared Information Management System for Infrastructure (SIMSI).

¹⁵ ACOA's 2007-2008 Report on Plans and Priorities reported a target of \$308.8 million, which represented the total costs of all projects (municipal, provincial and federal investments); however, the target should have reported only the portion of all federal programs, such as the Municipal-Rural Infrastructure Fund, the Canada Strategic Infrastructure Fund and the Building Canada Fund. The adjusted target for fiscal year 2007-2008 should be \$58.4 million.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
5.1	11.7	11.7	14	15	(1)

Program Activity Summary: The provision and maintenance of quality public infrastructure provides the foundation for economic development and is critical for economic prosperity. Providing and effectively managing potable water, waste treatment facilities, highways, municipal roads and bridges and transit systems, will impact economic growth. Many of these infrastructure projects also have strong environmental implications. This reality requires programming designed to renew and build infrastructure in rural and urban municipalities in Atlantic Canada, through investments that protect the environment and support long-term economic growth. ACOA, working with Infrastructure Canada and the provincial governments, oversees/ensures the flow of federal funds allocated to each region through the various infrastructure funding streams. The priorities for Infrastructure Canada programs are green municipal infrastructure and local transportation infrastructure.

Benefits for Canadians: Community-based infrastructure programs are implemented by ACOA in Atlantic Canada on behalf of the Government of Canada. The majority of infrastructure projects in fiscal 2007-2008 were funded by Infrastructure Canada through the Municipal Rural Infrastructure Fund (MRIF). The MRIF is directed to improve and increase public infrastructure in areas such as water, wastewater, culture, recreation, and those very things that make communities vibrant and productive places in which to live, work and raise families.

Performance Analysis: The overall infrastructure targets were not attained in 2007-2008, mainly due to fewer proposals having been received and average project costs having been overestimated. Infrastructure projects are submitted through a call letter process and are subsequently evaluated and prioritized by a joint provincial-federal committee. The number of projects submitted is dependent upon the applicants and their respective budget planning for infrastructure projects. The timing of the intake process, combined with an over-estimation of original figures, explains the difference between the original targets and actual number of projects approved in 2007-2008.

Despite this fact, the Infrastructure Canada Program (ICP) is 100% committed in Atlantic Canada, with 697 approved projects. This program began in 2000 and was scheduled to terminate March 31, 2006. During the implementation of the ICP, some jurisdictions experienced delays in project approvals and as a result were unable to complete projects by the scheduled program termination date; therefore, the terms and conditions of the ICP were extended, and projects were completed by March 31, 2008.

Lessons Learned: Infrastructure programs are an essential element and enable communities to grow and prosper. ACOA is the federal delivery agent for the implementation of infrastructure programs in Atlantic Canada on behalf of the Government of Canada.

Following the success of previous infrastructure programs, the Government of Canada announced a \$33-billion Building Canada Plan under Budget 2007. It includes the \$8.8-billion Building Canada Fund (BCF). The BCF will be allocated across jurisdictions on a per capita basis, and will invest in provincial, territorial and community infrastructure to address both national, regional and community priorities. The BCF includes three components: the Major Infrastructure Component, focused on larger projects; the Communities Component, focused on projects in smaller communities; and the National Infrastructure Knowledge Component, which is external to the jurisdictional allocations. The total BCF allocation for Atlantic Canada represents \$590.35 million.

2.3 Strategic Outcome 3 – Policies and programs that strengthen the Atlantic economy

<i>Indicator:</i>	<i>Annual Target: (2007-2008)</i>	<i>Performance Summary:</i>
<ul style="list-style-type: none">Atlantic regional programs/initiatives implemented or adjusted as a result of ACOA's policy, advocacy and coordination work	<ul style="list-style-type: none">Continued government support of Agency priorities, collaboration with other federal departments, and engagement with other partners in Atlantic Canada in areas that will contribute to increasing the competitiveness of Atlantic Canada's economy	<ul style="list-style-type: none">Successful collaborative efforts with other government departments, as well as the four provincial governments of the region, on key issues pertaining to ACOA's priorities.

Performance Measurement Strategy: Analysis of information from ACOA's Policy Network and key informant survey, as well as indicators from the Government of Canada's budget speech, Speech from the Throne, and decisions by central agencies.

ACOA is committed to developing and supporting policies and programs that strengthen Atlantic Canada's economy. ACOA's legislated mandate situates the Agency's policy, advocacy and coordination (PAC) roles as being central to the identification of opportunities and challenges facing the regional economy. These three activities exist to inform and support decision making by the Agency and the Minister, providing intelligence, analysis and rigorous advice on a broad range of issues and topics.

The Agency's policy work provides a well-grounded base of understanding for the development of ACOA's strategic priorities and initiatives, for program design, and as input to major resource allocation decisions. The coordination of policies and programs of the Government of Canada, in relation to opportunities for economic development in Atlantic Canada, was also emphasized during the last year. The advocacy function served to influence national decision-making processes to improve the position of Atlantic Canadian industries and to pursue regional industrial benefits from public sector procurement.

ACOA is the Government of Canada's main instrument for dealing with economic opportunities and challenges in Atlantic Canada. In doing so, ACOA is attuned to federal economic priorities as expressed in *Advantage Canada*, Canada's strategic economic plan. Some of the overarching realities that are driving the federal government's economic priorities (e.g. entrepreneurship, knowledge and infrastructure) are also issues that Atlantic Canada and ACOA are currently addressing.

ACOA's activities have assisted in addressing a variety of challenges and opportunities for Atlantic Canada, and have continued to ensure that the region maximizes its contribution in tackling federal priorities as well. For example, the region continues to experience labour force supply and productivity issues due in large part to demographic decline, an aging population and out-migration. The Agency's efforts with respect to human capital issues (i.e. its quality and quantity), through such initiatives as the Atlantic Population Strategy, are consistent with the

Government of Canada's *Knowledge Advantage*. Through continued co-operation with the four provincial governments and Citizenship and Immigration Canada, the Agency pursued initiatives to counter the inevitable labour shortages that are forecast to occur in the region. The Agency also pursued its involvement with the Atlantic Metropolis Centre by focusing on the impacts of population shifts in the region.

ACOA sought to build on the Government of Canada's *Knowledge and Entrepreneurial Advantages* by prioritizing innovation and commercialization for the region, supporting regional partnership initiatives, improving community innovation capacity, and modernizing Atlantic Canadian SMEs. The resource sectors continued to face challenges related to market constraints and continued competitive pressures. ACOA helped to respond to these challenges by supporting regional and national research and engagement activities in forestry, agriculture and resource processing industries that suggested ways by which these industries could diversify, innovate and shift to higher value-added activities, thereby helping them to compete globally.

The Agency's work on the Atlantic Gateway demonstrated that ACOA is well-positioned to play a central role in helping the region to advance national strategies and frameworks as outlined in the federal government's *Infrastructure Advantage*. ACOA was actively involved in producing in-depth analysis, coordinating efforts with the region's four provincial governments, and engaging the private sector to pursue opportunities related to the Atlantic Gateway.

In 2007-2008, ACOA continued to engage other policy stakeholders and work in partnership with public and private sector stakeholders while advocating Atlantic Canada's interests at the national level. The continued activities of the Agency's Advocacy Champions on files such as aquaculture, biosciences, energy, environment, science and technology, and commercialization – along with a closer examination of issues such as productivity and competitiveness, labour market and skills, and urban and rural issues – reflect the Agency's key role in responding to regional economic opportunities through the prism of national priorities.

2.3.1 Program Activity: Policy



Expected Results: Strategic, researched policy decisions reflecting opportunities and challenges of the Atlantic region's economy, while considering enterprise and community development potential

Indicators:

- Extent to which policy analysis and research projects are useful and/or provided to input decision making with respect to Atlantic regional economic development including enterprise and community development supports and services

Annual Target: (2007-2008)

- Continue to provide sound advice to decision makers through policy analysis on challenges and opportunities facing the Atlantic economic, such as key transportation opportunities, an increased competitiveness in renewable resource industries, and others

Performance Summary:

- Sound advice provided to decision makers as demonstrated by the examples below

Performance Measurement Strategy: Annual analysis of information from project reports, key informant survey managed by the Agency's policy network and Atlantic Policy Research Initiative reports. Longer term measurement will be accomplished via formal evaluations.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
7.7	6.2	6.4	35	45	(10)

Program Activity Summary: ACOA's policy work provided a well-grounded base of understanding for the development of ACOA's strategic priorities and initiatives, for program design, and as input to national policy development and federal-provincial relations during 2007-2008. This included the development of policies, frameworks and advice.

The Agency's policy activities include policy analysis and advice, economic analysis, internal and external research and analysis of issues and trends, and the engagement of federal, provincial, and other public and private stakeholders on issues affecting the development of Atlantic Canada's economy. Such activities provide policy leadership and strategic direction for the Agency's broad mandate for economic development in Atlantic Canada to increase the number of jobs and the earned income of Atlantic Canadians.

Benefits for Canadians: The Policy activity has assisted the Agency in aligning itself with federal government priorities as stated in the Speech from the Throne, the federal budgets as well as in the federal government's comprehensive long-term economic plan, i.e. *Advantage Canada*. Policy efforts in areas relating to the Atlantic Gateway, to human capital development, to urban and rural issues, to the competitiveness of businesses, and to the overall economic expansion of the region have benefited Atlantic Canadians, as well as the country as a whole. Through its policy program activity, ACOA continues its collaborative efforts with other government partners to maximize Atlantic Canada's presence in national policy initiatives.

Performance Analysis: In measuring the level of success in meeting the priorities set out by the Agency, a number of successful milestones were reached. Initiatives were conducted in areas such as the Atlantic Gateway, regional competitiveness and renewable resource industries. Other ongoing priorities were addressed through the Agency's policy research and economic analysis activities. These policy initiatives provided a fertile exchange on ACOA's role in areas such as enterprise development and community development.

Policy Support for the Atlantic Gateway

A number of policy activities throughout 2007-2008 were related to the Atlantic Gateway, such as the finalizing and launching of the Atlantic Gateway Business Case. This business case underlines the benefits of the Atlantic Gateway for the entire country, through the development of an efficient and competitive national supply chain that would improve the competitiveness and productivity of the Canadian economy. Through the Atlantic Gateway, Atlantic Canada would be a North American point of entry and exit for international trade.

Policy Support for the Region's Competitiveness

Throughout the past year, the Agency collaborated on a number of policy discussion papers delving into priority areas such as productivity and competitiveness; labour market and skills; science and technology; natural resources and the knowledge economy; and, urban and rural issues. While these papers looked at the Agency's priorities in light of other federal government priorities, they focused on improving the region's level of competitiveness. These policy issues

were discussed with senior officials throughout the Agency and form part of the basis for strategic discussions on the Agency's future orientation.

The Agency was also directly involved in a study by the Organisation for Economic Co-operation and Development (OECD) looking at the role of higher education institutions (HEIs) in regional development¹⁶. The 12-country report identified Atlantic Canada as a region demonstrating successful co-operation between its HEIs and regional development organizations, principally ACOA. The report singled out ACOA-supported initiatives, such as *Springboard Atlantic*, as promoting research and its commercialization, thus impacting positively on the region's competitiveness.

Policy Support to Renewable Resource Industries

With regard to exploring the feasibility and options for improved productivity and competitiveness in the renewable resource sectors, ACOA spearheaded and/or actively participated in initiatives in areas such as forestry, agriculture and fisheries in the four Atlantic provinces. New initiatives for identifying opportunities that support resource sectors have been seen in areas such as potato farming (New Brunswick), aquaculture (New Brunswick), and bioscience projects (Prince Edward Island).

Through its resource sector champion file, ACOA undertook a series of initiatives, such as direct involvement in an Industry Canada-led scenario planning exercise for resource processing industries. Regarding non-renewable resources, the Agency initiated and managed a Joint Industry Project related to natural gas development in Labrador, resulting in the establishment of the Labrador Gas Research Group.

Policy Research and Economic Analysis

ACOA's policy function is supported by the Atlantic Policy Research Initiative (APRI), which funds region-wide research projects and helps to build a critical mass of public policy research in Atlantic Canada. APRI activities in 2007-2008 included conferences and roundtables throughout the region. These included, but were not limited to: the forum, *Re-Imagining the Atlantic Canadian Economy*; the 2nd Atlantic Research Money Conference; the Association of Certified Engineering Technicians and Technologists of Prince Edward Island roundtable on addressing skills issues in Atlantic Canada; and the 2007 BioEnergy Conference. APRI also supported the publication of reports including the following:

- *Socioeconomic and Demographic Profiles of Immigrants to Atlantic Canada*. This project brought together researchers from universities in each of the four provinces to

Lessons Learned: As the Agency looks forward, issues related to the Atlantic Gateway, the Atlantic Population Strategy, productivity and competitiveness, labour market and skills, science and technology, natural resources and the knowledge economy, and urban and rural issues, will continue to occupy its agenda. The Agency will be the lead Canadian representative on the OECD's Territorial Development Policy Committee for a two-year mandate. Engagement with the private sector through mechanisms such as the Atlantic Canada Opportunities Board, as well as with academia and other government partners will also be pursued to follow-up on the work accomplished during the 2007-2008 period. ACOA will continue its discussions and collaborative efforts with federal departments such as Department of Human Resources and Social Development Canada, Department of Fisheries and Oceans, Agriculture and Agri-Food Canada, Natural Resources Canada, Transport Canada, and Industry Canada, on a number of initiatives. As it did during the past period, the Agency will continue to provide sound policy advice to decision makers based on environmental scanning, issue analysis and research related to Atlantic Canadian economic development issues and opportunities.

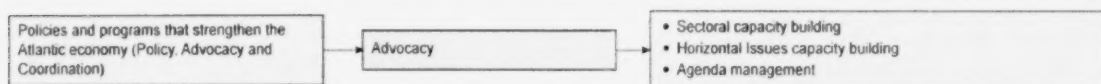
¹⁶ *Higher Education and Regions: Globally Competitive, Locally Engaged*, OECD, 2007.

prepare a series of profiles of immigrants in each province and the region as a whole. The research was coordinated by the Atlantic Metropolis Centre.

- *Atlantic Canada's Forest Industry*. This report offered an overview and policy options for the region's forest industry. This was a collaborative effort between ACOA, the four provincial departments of natural resources, as well as Natural Resources Canada.

ACOA's expertise in the field of regional development in Atlantic Canada requires a thorough understanding of the region's economy. Through the preparation and distribution of regular reports on the region's economic situation, such as *Economic Overview of Atlantic Canada*, *Labour Market Conditions in Atlantic Canada*, and *Export Performance in Atlantic Canada*, ACOA continued its contribution to enhancing the understanding of a variety of issues facing the region. Economic research and analysis related to productivity, resource industries, small business dynamics, demographics and labour force trends were also undertaken; these were used to support the development of policy strategies, issues and positions taken by ACOA.

2.3.2 Program Activity: Advocacy



Expected Results: Federal policies and programs that reflect Atlantic enterprise and community development needs and interests

Indicator:

- Impact of Agency positions taken with respect to national policy and programs and the government's capital procurement agenda

Annual Target: (2007-2008)

- Increase the impact and influence of ACOA participation on horizontal, sectoral and other files important to Atlantic Canada

Performance Summary:

- The impact of the advocacy function has been enhanced by a "champion" model that engages senior management as champions for key priorities for Atlantic Canada. This approach has proven to be flexible and responsive to aligning regional priorities with the directions of the federal government. Both horizontal and sectoral files have been advanced as identified in the examples provided below.

Performance Measurement Strategy: Analysis of data from interviews with senior officials of economic development departments, and from the Agency's files and procurement network.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
4.1	4.3	3.4	49	27	22

Program Activity Summary: ACOA's advocacy function aims to advance the region's interests in national policy and program development to ensure that government initiatives are responsive to the challenges and opportunities of the Atlantic economy. It also aims to ensure that regional stakeholders are kept informed of government actions and opportunities that are relevant to the economic interests of the region.

Under the federal Industrial Regional Benefits (IRB) policy, ACOA's advocacy function is mandated to pursue industrial regional benefits opportunities for Atlantic Canadian industry in federal procurement projects. In this role, ACOA is a key player in advocating for and developing IRB strategies for major acquisition projects. These strategies enable ACOA to promote the capacities and capabilities of Atlantic Canadian aerospace and defence companies to national and international prime contractors seeking Canadian partners with which to satisfy their real and potential IRB commitments. In addition, ACOA monitors the development of federal procurement policies with a view to representing the interests of Atlantic Canadian companies.

Benefits for Canadians: During the past year, ACOA has worked to ensure that government initiatives are responsive to the challenges and opportunities of the Atlantic Canadian economy. Over the past five years, ACOA's advocacy efforts have helped secure over \$1 billion in industrial and regional benefit commitments for Atlantic Canadian firms and have helped contribute to a strong and thriving aerospace and defense industry in Atlantic Canada. ACOA has also advocated for the interests of Atlantic Canada in other key horizontal or sectoral files to make government initiatives more responsive to the needs of Atlantic Canadians.

The impact of the Agency's overall advocacy function has been enhanced by the "champion" model, which engages ACOA's senior officials as champions for key priorities, supported by cross-agency working groups. This approach has proven to be flexible and responsive to aligning regional priorities with the directions of the federal government.

Performance Analysis:

Science and Technology / Commercialization

ACOA collaborated with Industry Canada and other federal departments and agencies in the development and launch of the government's science and technology strategy to ensure that Atlantic Canada's interests were well reflected. ACOA's advocacy efforts have helped to increase science and technology capacity in Atlantic Canada. This enhanced capacity has resulted in increased industrial R&D and commercialization activities and has attracted additional federal investments in the region, such as the \$8-million renewal in federal funding for the National Research Council's Nutriscience and Health (Bioscience) Cluster Initiative based in Charlottetown, Prince Edward Island.

Bioscience

The bioscience sector in Atlantic Canada is an emerging industry that presents strategic opportunities for attracting talent, conducting research and development, and linking to global supply chains. In 2007-2008, ACOA commissioned a consultant to gather baseline data and to develop a SWOT (strengths, weaknesses, opportunities and threats) analysis on the bioscience sector in Atlantic Canada. ACOA also worked closely with key industry associations and other federal departments to identify next steps and opportunities to support the growth of this key sector.

Energy / Environment

In keeping with the government's priority to make Canada a leader in energy and related environmental technologies, ACOA worked closely with other federal departments to help strengthen these key industries in Atlantic Canada. In collaboration with Foreign Affairs and Industry Canada, ACOA conducted an evaluation of domestic and international trade opportunities for regional oil and gas suppliers, and ensured the promotion of Atlantic Canada's oil and gas industry at prominent international events, such as the Offshore Technology Conference in Houston, Texas, and Offshore Europe in Aberdeen, Scotland. The Agency also continued to bring the Atlantic Canadian perspective to the development and implementation of federal energy-related policies and programs, particularly those regarding renewable and alternative energy sources and climate change.

Resource Industries

Many communities in Atlantic Canada rely on the viability of natural resource industries that are facing the challenges of a changing global business environment. Over the past year, ACOA worked closely with other federal departments to identify how their programs could assist the forestry, fishery and agriculture sectors in Atlantic Canada – through initiatives such as the Fisheries and Oceans Canada's Ocean-to-Plate approach to fisheries renewal, Natural Resources Canada's Long-term Forest Industry Competitiveness Strategy, Agriculture and Agri-Food Canada's Agriculture Opportunities Fund, and Industry Canada's Resource Processing Industries' Scenario Planning project.

Aquaculture

Over the past year, ACOA collaborated with Fisheries and Oceans Canada to secure federal funding to help address industry challenges and create conditions for growth in an economic and environmentally sustainable manner. These federal investments are targeted at improving regulatory certainty, environmental standards, certification measures, and research and innovation activities.

Population and Immigration

ACOA was actively engaged in the Metropolis project – a federal initiative designed to research issues related to immigration, migration and diversity. ACOA led a coalition that included the Rural Secretariat and regional development agencies from Quebec and northern Ontario to bring a regional perspective to national initiatives and discussions on immigration. Through the federal-provincial Atlantic Population Table, ACOA advocated for the development of a regional strategy to provide youth with more diverse opportunities to stay and work in Atlantic Canada, to attract more immigrants, and to ensure the region has sufficient skilled workers to sustain economic growth.

Atlantic Gateway

ACOA was fully engaged with its federal partners, specifically Transport Canada and Foreign Affairs and International Trade Canada, to advance work on the Atlantic Gateway strategy and ensure that national policies and initiatives, such as the National Policy Framework for Strategic

Lessons Learned: ACOA's advocacy "champion" model was introduced in 2005 as a new approach to provide leadership and focus on key advocacy files. This advocacy approach, which engages ACOA's senior officials as champions on key priorities, has provided senior-level engagement and leadership on horizontal and regional priorities and has enabled the Agency to focus its resources to maximize effectiveness. Each champion is supported by a multi-office, interdisciplinary working group that ensures an integrated, Agency-wide approach to each priority area. ACOA reviews its priorities regularly for effectiveness and relevance, and implements changes to respond to new government directions or shifting priorities in Atlantic Canada.

Gateways and Trade Corridors, were responsive to the challenges and opportunities of the Atlantic economy.

Aerospace and Defense

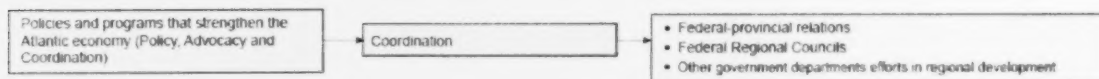
Atlantic Canadian aerospace and defence firms produce some of the world's most innovative products and services. ACOA plays an important advocacy role in supporting the efforts of these firms to successfully compete for business within the federal procurement process.

In 2007-08, ACOA's advocacy efforts to secure industrial regional benefits for Atlantic Canada were focused on a number of significant "Canada First" procurements, including the Strategic Airlift, Tactical Airlift, Joint Support Ship, Medium Support Vehicle System, and Medium-Heavy Lift helicopter projects. The Agency also supported Atlantic Canadian firms pursuing opportunities related to the Department of National Defense's current aircraft fleets, including the modernization of both the CF-18 and the CP-140 aircraft.

The Tactical Airlift contract, which was awarded to Lockheed Martin Aeronautics in January 2008, included a commitment of \$242 million over 10 years to Atlantic Canadian companies. The Agency also worked with potential bidders for the Joint Support Ship and the Halifax-Class Modernization Project, providing introductions to Atlantic Canadian companies interested in partnering on these projects. Further, ACOA actively promoted the participation of Atlantic Canadian companies in anticipated projects, such as the Arctic/Offshore Patrol Ships and Fixed Wing Search and Rescue.

ACOA supported Atlantic Canadian business in accessing non-defence procurement opportunities, notably those related to the Canadian Coast Guard and the Canadian Space Agency. In addition, the Agency worked closely with provincial and regional industry associations to promote the Atlantic Canadian aerospace and defense industry internationally through trade missions to the Paris Air Show and the Defence Systems and Equipment International exhibition in London, UK.

2.3.3 Program Activity: Coordination



Expected Results: Coordination of other federal departments' and other stakeholders' policies and programs within the region to form integrated approaches to development

Indicators:	Target:	Performance Summary:
<ul style="list-style-type: none">Joint strategic initiatives that reflect common positions on defined enterprise and community issues	<ul style="list-style-type: none">Develop strategic initiatives through collaborative efforts with other federal/provincial partners on issues such as population, productivity and competitiveness, and access to capital, among others	<ul style="list-style-type: none">Ongoing, as demonstrated through examples presented below

Performance Measurement Strategy: Annual targets will be measured through analysis of data from ACOA's Policy Network and the Privy Council Office (Intergovernmental Affairs). Five-year targets will be measured through analysis of data from project reports and interviews.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
2.3	2.3	2.1	29	23	6

Program Activity Summary: The Agency is mandated by its legislation to “*coordinate policies and programs of the Government of Canada in relation to opportunities for economic development of Atlantic Canada.*” ACOA’s coordination role aims at ensuring that all groups and parties with a responsibility for, or an interest in, economic development work together to minimize duplication of effort and maximize collaboration. Although the legislative mandate covers only the development activities of other federal departments and agencies active in Atlantic Canada, ACOA’s coordination role also involves important federal-provincial activities, working with regional and national private sector stakeholders, as well as joint initiatives with the federal development agencies in other parts of Canada. Groups engaged from outside government include post-secondary institutions, the private sector and its organizations, and non-governmental bodies.

Benefits to Canadians: In 2007-2008, ACOA’s Coordination program activity assisted the region in facing challenges affecting Atlantic Canada’s overall economic vitality. Demographic trends and an aging population drove ACOA and its partners to move forward on initiatives related to promoting Atlantic Canada as a business destination, the attraction of new businesses and the undertaking of new research. ACOA continued to explore joint approaches to various issues with the Atlantic provincial governments, via organizational mechanisms such as the federal-provincial Senior Officials Committee (SOC), regarding productivity and competitiveness, innovation, access to capital and population, as well as the Atlantic Gateway Federal-Provincial Officials Committee. Collaborative efforts with the provinces have continued in a number of areas of importance to Atlantic Canada. ACOA chaired the Atlantic Regional Federal Councils, which operate within each of the provinces and provide federal departments with a presence in the region with a forum to share information and collaborate on ongoing initiatives.

The coordination activity continued to provide the Agency with a mechanism to ensure alignment with government priorities. ACOA’s relationship with other federal bodies has taken on increased importance in recent years. Frequent consultations with central agencies well as discussions with other regional development agencies will ensure a coordinated approach to issues that affect all regions of Canada.

Performance Analysis: As the lead federal agency in the region, ACOA uses its coordination role to bring together all key stakeholders (from inside and outside of the region) who are directly or indirectly involved in the economic progress of Atlantic Canada. These stakeholders include provincial government officials, federal department colleagues, academics and researchers, entrepreneurs from the private sector, as well as representatives of non-governmental organizations. As an initiative such as the Atlantic Gateway moves ahead, the relevance of ACOA as a regional *coordinator* is enhanced by the possibilities this and future initiatives could bring to the region.

Federal-provincial Initiatives

During 2007-2008, ACOA and the Atlantic Provinces continued to explore joint approaches to development issues through the federal-provincial Senior Officials Committee (SOC). The SOC developed a renewed forward agenda and continued to work on issues and challenges in areas focused on access to capital, population concerns and policy development. ACOA also worked closely with the four Atlantic provincial governments, both bilaterally with individual provinces and multi-laterally (region-wide), to identify common goals and priorities, facilitate joint research, and coordinate the delivery of economic development programs and services. For example, in New Brunswick, ACOA participated in a number of informal initiatives with various provincial government departments on issues relating to energy, the environment, forestry, post-secondary education, transportation, and health and wellness. The previously mentioned forestry study was led by ACOA and benefited from the direct involvement of the four provincial departments of natural resources and Natural Resources Canada.

The Atlantic Gateway

The Atlantic Gateway initiative, built upon the Agency's collaboration with Transport Canada (TC) and the four Atlantic provincial governments, resulted in a formal Memorandum of Understanding (MOU) signed by all parties. In 2007, ACOA initiated an Atlantic Gateway Federal-Provincial Officials Committee at a pan-Atlantic federal-provincial level, with terms of reference that outline the committee's role to develop an Atlantic Gateway strategy. Minister-led and sector-led missions to India were also organized in relation to the Atlantic Gateway. These formal approaches ensure that the initiative is aligned with the national policy and the availability of a structured forum for public and private stakeholders to collaborate and coordinate efforts.

Lessons Learned: The coordination activities undertaken in 2007-2008 will assist in continued development of strategic initiatives resulting from collaborative efforts with other partners in areas such as population, productivity and competitiveness and access to capital. Other federal-provincial efforts, aimed at developing concepts and plans to rejuvenate the region's resource-based industries and to realize the potential of an Atlantic Gateway as an integral part of Canada's trade with the rest of the world, will continue as ACOA moves ahead to ensure economic prosperity for the region. Federal Councils remain an important means by which federal officials in each province can find ways to better deliver on Government of Canada priorities.

Other Initiatives

ACOA worked collaboratively with other federal departments to strengthen integrated federal approaches to regional development, to increase federal capacity and delivery in the regions, and to better align regional development priorities with the federal national agenda. The Agency renewed, for an additional five-year period, its support to the Atlantic Metropolis Centre (AMC) through a transfer of funds to the national Metropolis agreement. The agreement is also supported by Citizenship and Immigration Canada and the Social Sciences and Humanities Research Council. The AMC's consortium of mostly university-based researchers studies demographic shifts and their effects in Atlantic Canada. In Prince-Edward Island, ACOA continued to participate in the labour market development agreements devolution discussions with the Province and Human Resources and Social Development Canada, while in Newfoundland and Labrador, the Agency participated on an ACOA-Canadian Heritage Cultural Policy MOU Implementation Committee Work Plan, which led toward the development of a Federal Cultural Tourism Table.

To help maintain effective linkages and partnerships that coordinate departments' action in the regions, ACOA worked with key federal departments through the Regional Federal Councils, whose mandate includes the integration of improved service delivery, two-way communication with central agencies on regional perspectives and federal initiatives, and co-operation with other jurisdictions, including provincial governments. In 2007-2008, these councils addressed an array of topics relevant to the region and to ACOA, including official languages and service delivery. Public service renewal was another topic raised by the Federal Councils in Nova Scotia and New Brunswick. In Nova Scotia, the Federal Council's policy activity centred on the Public Service Renewal Agenda, which resulted in a Public Service Renewal Strategic Action Plan. In New Brunswick, the Federal Council organized consultations related to public service renewal including workshops where young public servants were introduced to and toured various federal departments in the region such as ACOA, Service Canada, and Fisheries and Oceans.

Section III – Supplementary Information

3.1 Financial Highlights

The financial highlights presented within this Departmental Performance Report are intended to serve as a general overview of ACOA's financial position and operations. Financial statements are prepared in accordance with accrual accounting principles. The unaudited supplementary information presented in the financial tables in this report was prepared on a modified cash basis of accounting in order to be consistent with appropriations-based reporting. The Agency's financial statements can be found on ACOA's website at: <http://www.acoa-apec.ca.gc.ca/e/library/reports/dpr2008/index.shtml>.

Financial Highlights

(\\$ thousands)

	2008	2007	% Change
--	------	------	----------

At End of Year:

Condensed Statement of Financial Position

ASSETS

Total Assets	232,491	246,762	(5.8%)
TOTAL	232,491	246,762	(5.8%)

LIABILITIES

Total Liabilities	112,921	91,939	22.8%
-------------------	---------	--------	-------

EQUITY

Total Equity	119,570	154,823	(22.8%)
TOTAL	232,491	246,762	(5.8%)

For the Year:

Condensed Statement of Operations

EXPENSES

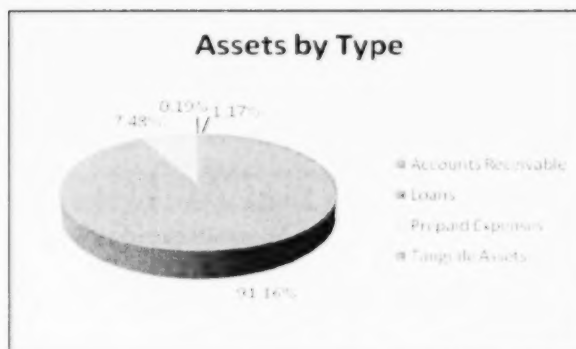
Total Expenses	347,690	363,686	(4.4%)
----------------	---------	---------	--------

REVENUES

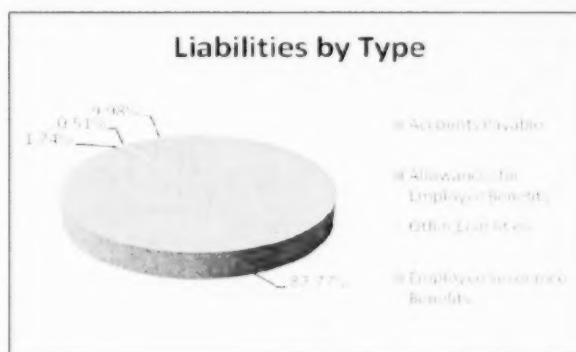
Total Revenues	14,588	14,669	(0.6%)
----------------	--------	--------	--------

NET COST OF OPERATIONS	333,102	349,017	(4.6%)
-------------------------------	----------------	----------------	---------------

Total assets at the end of 2007-2008 were \$232.5 million, a decrease of \$14.3 million (5.8%) over the previous year's total assets of \$246.8 million. Loans represented 91.2% of total assets, at \$211.9 million. Accounts receivable represented \$2.7 million or 1.2%, while tangible assets represented less than 1% of total assets.

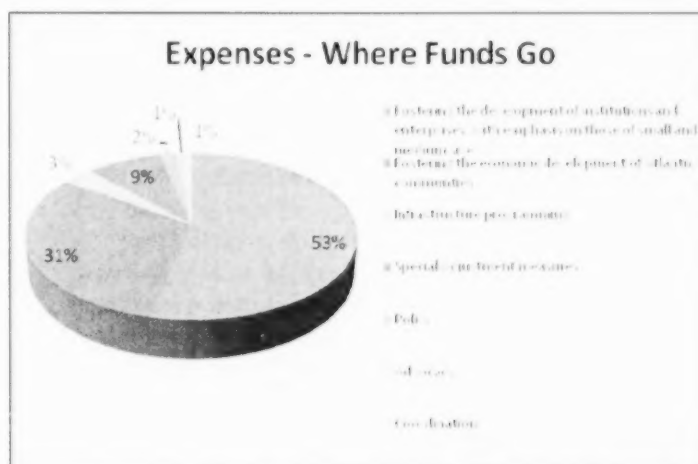


Total liabilities at the end of 2007-2008 were \$112.9 million, an increase of \$21.0 million (22.8%) over the previous year's total liabilities of \$91.9 million. Accounts payable represent the largest portion of liabilities, at \$99.1 million or 87.8% of total liabilities.

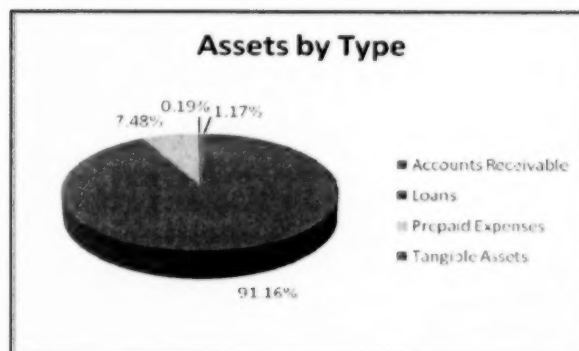


The Agency's total revenues for 2007-2008 amounted to \$14.6 million. There was a slight decrease of \$0.08 million (0.6%) from the previous year's revenue. Almost all of ACOA's revenue was derived from repayable contributions from program activity undertaken to support the Program Activity, "Fostering the development of institutions and enterprises, with emphasis on those of small and medium size." All the other levels of revenue were marginal for 2007-2008.

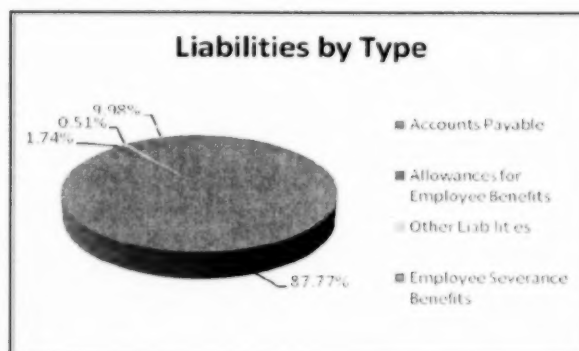
Total expenses for ACOA were \$348 million in 2007-2008. The majority of funds, \$185.8 million or 53.4%, was spent in "Fostering the development of institutions and enterprises, with emphasis on those of small and medium size"; while "Fostering the economic development of Atlantic communities" represented \$108.4 million or 31.2% of total expenses.



Total assets at the end of 2007-2008 were \$232.5 million, a decrease of \$14.3 million (5.8%) over the previous year's total assets of \$246.8 million. Loans represented 91.2% of total assets, at \$211.9 million. Accounts receivable represented \$2.7 million or 1.2%, while tangible assets represented less than 1% of total assets.

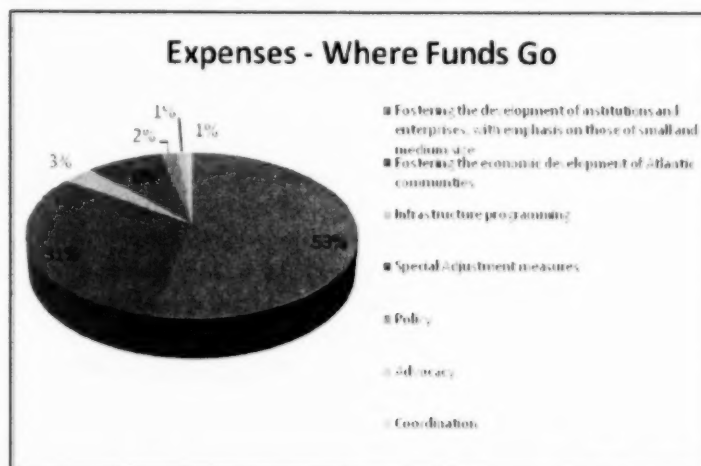


Total liabilities at the end of 2007-2008 were \$112.9 million, an increase of \$21.0 million (22.8%) over the previous year's total liabilities of \$91.9 million. Accounts payable represent the largest portion of liabilities, at \$99.1 million or 87.8% of total liabilities.



The Agency's total revenues for 2007-2008 amounted to \$14.6 million. There was a slight decrease of \$0.08 million (0.6%) from the previous year's revenue. Almost all of ACOA's revenue was derived from repayable contributions from program activity undertaken to support the Program Activity, "Fostering the development of institutions and enterprises, with emphasis on those of small and medium size." All the other levels of revenue were marginal for 2007-2008.

Total expenses for ACOA were \$348 million in 2007-2008. The majority of funds, \$185.8 million or 53.4%, was spent in "Fostering the development of institutions and enterprises, with emphasis on those of small and medium size"; while "Fostering the economic development of Atlantic communities" represented \$108.4 million or 31.2% of total expenses.



3.2 Tables

All electronic tables under section 3.2 of ACOA's 2007-2008 *Performance Report* can be found on the Treasury Board of Canada Secretariat's website at: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

☞ Table: Comparison of Planned to Actual Spending (including FTEs)

☞ Table: Sustainable Development Strategy

☞ Table: Sources of Non-respendable Revenue

☞ Table: Details on Transfer Payment Programs

Information templates have been completed regarding each transfer payment program where total transfer payments will exceed \$5 million in 2008-2009.

1. Atlantic Innovation Fund
2. Business Development Program
3. Community Futures Program
4. Innovative Communities Fund
5. Saint John Shipyard Adjustment Initiative

☞ Table: Horizontal Initiatives

Horizontal initiatives for which ACOA acts as the lead partner:

1. ☞ Atlantic Canada Tourism Partnership (ACTP)
2. ☞ International Business Development Program (IBDP)
3. ☞ Team Canada Atlantic (TCA)

☞ Table: Internal Audits

☞ Table: Evaluations

3.3 Other Items of Interest

☞ Organizational Structure and Responsibilities

The following information is available on ACOA's website at <http://www.acoa-apeca.gc.ca/e/library/reports/dpr2008/index.shtml>.

☞ ACOA's Program Activity Architecture **sub-activities** for Strategic Outcome 1: Competitive and sustainable Atlantic Enterprises, with emphasis on those of small and medium size.

Program sub-activities

1. Innovation☞
2. Entrepreneurship and Business Skills Development☞
3. Trade☞
4. Investment☞
5. Financing continuum☞
6. Access to business information (Canada Business)☞

☞ Tourism Sector

☞ BDP Repayable Contribution Portfolio

☞ Atlantic Canada's 2007-2008 Economic Overview and Provincial Economic Profiles

☞ Management Results

